

## **Protecting Families During Economic Downturns-\$500 Automatic Bank Account Exemption Vote Yes on HB 322**

### **The Issue**

State exemption laws provide protections for families from income or property garnishment. The goal of state exemption laws is to protect households from financial ruin and leave families with enough assets that they can make a fresh start as they repay debt.

Maryland law provides \$6000 of protection for all of an individual's property-home, car, cash, and other valuables. To protect these assets, an individual must elect to protect them. Very few Marylanders are aware of or able to take these exemptions and as a result almost all of their income and property can be garnished to satisfy a debt.

Consequently, as our 2018 report [No Exit](#) documents, in 2016 more than 27,000 Maryland residents had their bank accounts or other property seized to satisfy a debt. A majority of the debt collection lawsuits and these garnishments took place in low-income communities or communities of color.

### **The Solution**

HB 322 creates an automatic exemption- a floor of \$500-that must be protected in bank accounts. Maryland residents do not have to fill out a form to protect the \$500, HB 322 would move Maryland law from protecting \$0 in bank accounts to protecting an individual's last \$500. This enables an individual to have a small amount of money to purchase food, medicine, or pay bills while they are paying back the debt owed.

### **Why HB 322 is important now**

HB 322 is particularly critical legislation now to meet this unprecedented moment. A 2020 United Way study found that 39% of Maryland families are struggling and find it difficult to meet their basic needs. Many pandemic protections including financial assistance and eviction moratoriums are waning or have disappeared. Yet, as COVID-19 continues to affect Maryland residents, particularly Black and Brown workers concentrated in essential services, and many will face unexpected medical bills and other financial setbacks. In fact, an October 2020 Gonzales poll that MCRC commissioned found that 45% of African-American respondents would have to either use credit or would be unable to pay an unexpected \$500 bill.

This amount-\$500-is not very much for creditors but our analysis shows it will help protect approximately 50% of Maryland residents in collection from having their bank account zeroed out.

In fact, this \$500 is far less than many states have enacted. For example:

- CA protects \$1788 in a bank account automatically ([Section 704.220.](#))
- DE prohibits any garnishment of a bank account ([12 Del. C. § 3502\(b\).](#))
- MA protects up to \$2500 ([c. 235 sec. 34\(15\)](#) and ([c. 246 sec. 28A](#))
- NY protects up to \$3600 (240 x the applicable state or federal minimum wage--whichever is higher ([CVP 5232](#)).
- WA protects \$2000 in a bank account, \$1000 is self-executing ([RCW 6.15.010](#))

## What this HB 322 will do

- Protect a small amount of money for struggling Maryland households to use to meet their basic needs during this period of financial hardship.
- Consumer advocates and debt collectors agree that this is a sensible solution to support low-income households in Maryland.
- Protect Maryland taxpayers from having to provide additional emergency funds for food, utilities, etc for these households.
- Supports landlords, local businesses and others by ensuring the family has funds to use and circulate within their community.

## What HB 322 won't do

- Create difficulties for financial institutions to implement
- Financial institutions in Maryland have already demonstrated that they are able to protect funds when in 2020 they exempted stimulus funds from debt collection. Most national banks in Maryland exempt these funds in other states that they operate in--there is no reason why they can't do the same in Maryland.

It is far past time to revise our debt collection and exemption laws. Families across the state are struggling and HB 322 provides a measure of relief and enables families to meet their basic needs and get a fresh start as they repay their debts.

**Vote YES on HB 322**